Weekly Economic Review

Unemployment up despite job gains

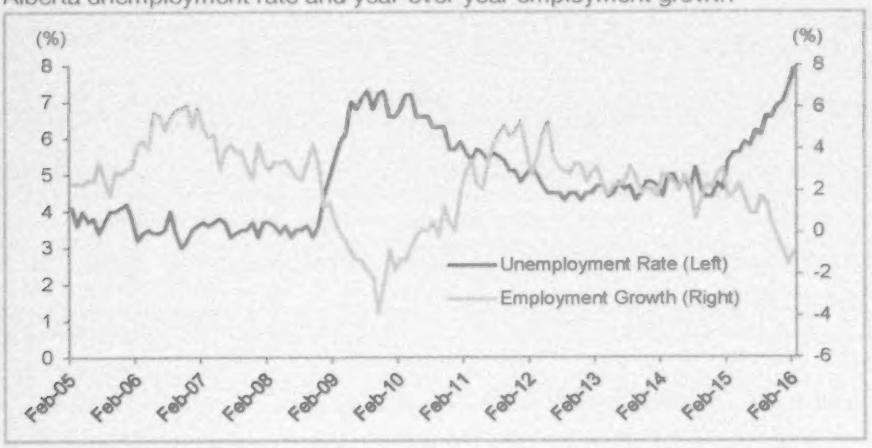
Labour Market

Unemployment rate rises despite uptick in jobs

Alberta's labour market found some reprieve in February, adding 1,400 jobs after four months of declines (Chart 1). The private sector added 25,000, the first month of growth since September 2015, nearly offsetting the sizable cuts in January. Public sector employment (-9,200) and self-employment (-14,300) both declined. The main contributors to job growth were professional, scientific, and technical services (+7,000) and construction (+4,700). Job losses were highest in natural resource extraction and mining (-7,400), which has shed 15,200 jobs over the past year. The accommodation and food sector also cut jobs (-2,300), bringing total losses to 16,500 since November. However, due to a surge in the number of job seekers, the unemployment rate increased to 7.9% - the highest rate since August 1995.

Chart 1: Employment increases despite rising unemployment

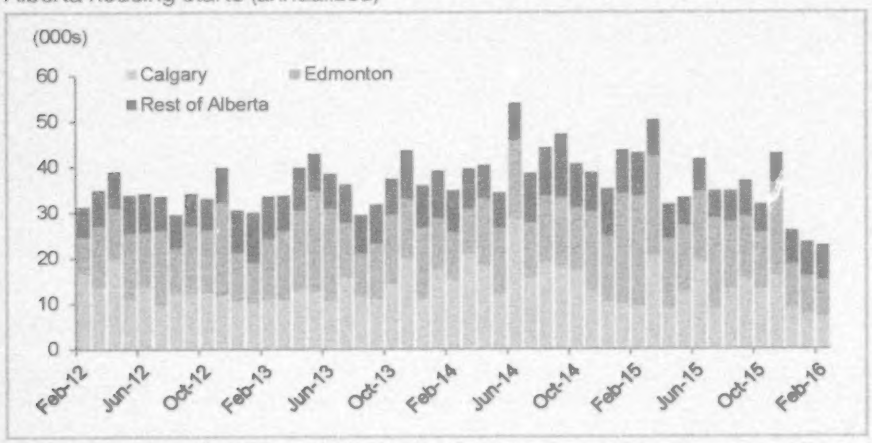
Alberta unemployment rate and year-over-year employment growth



Source: Statistics Canada

Chart 2: Weakest starts for Edmonton and Calgary since mid-2011

Alberta housing starts (annualized)



Source: Canada Mortgage and Housing Corporation

Housing Starts

Starts down to mid-2011 levels

Alberta housing starts fell to 22,670 (annualized) in February, the lowest level since April 2011 (Chart 2). Declines over three months pushed housing starts down 47% year-over-year, but the relative weakness also reflects a surge in starts back in January 2015. Despite a monthly uptick in new apartment and row house developments, multi-family starts were down 54% y/y. Single-family housing starts have fallen to the lowest level since May 2009 (-42% y/y). Housing starts in Calgary and Edmonton were well under 10,000 units for a third straight month; starts declined to 7,042 in Calgary (-25% y/y) while starts in Edmonton fell to 8,069 units (-67% y/y). For the two cities combined, housing starts haven't been this weak since mid-2011.

New House Price Index

No budge in house prices

With a slowdown in Alberta's housing market negating any price appreciation, the province's New Housing Price Index (NHPI) has been nearly unchanged for the past four months. On a year-over-year basis, house prices were down 0.3% in January. The weakness was attributable to deflation in non-land

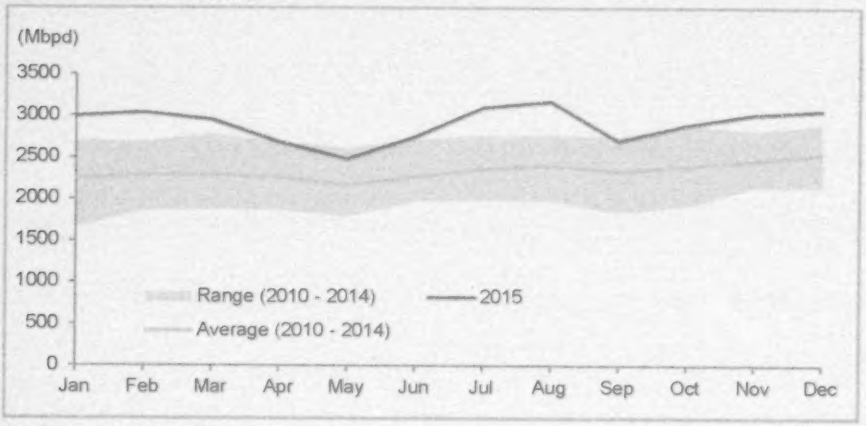
prices (-0.9% y/y), especially in Calgary where non-land prices were down 1.9% y/y. Edmonton's NHPI was weak but still positive at 0.3% y/y due to higher land and non-land prices compared with January 2015.

Supply and Disposition of Crude Oil

Non-conventional crude production keeps on pumping

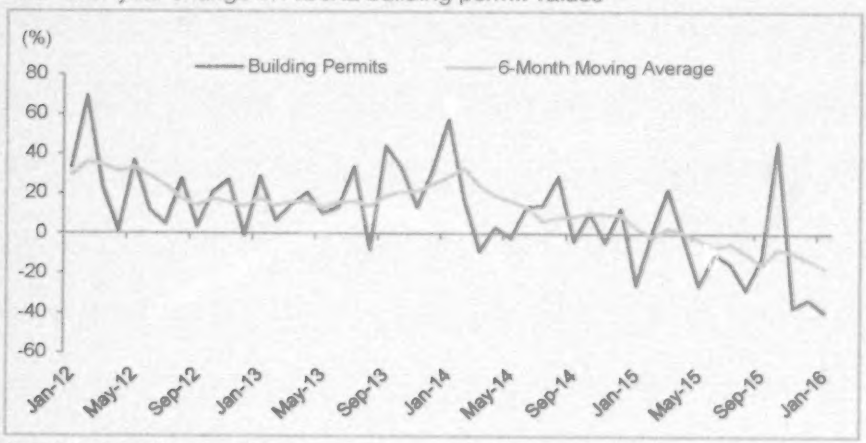
Alberta's crude oil production increased by 6.9% y/y to 3.1 million barrels per day in December (Chart 3). Oilsands activity continued to be the main growth driver, with synthetic production up 2.5% y/y while bitumen production increased 18% y/y. In contrast, conventional oil production was down 16% y/y. Natural gas production was also down by 2.8% y/y. Total crude production in 2015 increased by 5.3% compared with 2014, led by bitumen (15%).

Chart 3: Crude oil production strong through 2015
Alberta crude oil supply



Source: Statistics Canada

Chart 4: Weakness in permits persists into new year
Year-over-year change in Alberta building permit values



Source: Statistics Canada

Building Permits

Main drag from residential permits

The value of Alberta building permits issued in January totalled $1.1 billion, down 22% y/y (Chart 4) to the lowest level since the start of 2012. Residential permits - which accounted for 55% of the value for issued permits - were down 31% y/y, with large declines in permits for single and multi-family dwellings. The actual number (as opposed to the value) of issued residential permits was at its lowest level since February 2011. Non-residential permits got a boost from large monthly jumps in industrial and commercial permit issuance, but the uptick couldn't offset prior weakness; non-residential permits remained down 7.5% y/y. The drop off in permit values affected all regions of the province with the exception of Wood Buffalo - Cold Lake, which had a solid increase between December and January.

Monetary Policy

ECB ramps up stimulus while BoC holds steady

With inflation and growth still tepid, the European Central Bank (ECB) announced that it would ramp up its stimulus measures by increasing its asset purchase program from €60 billion to €80 billion per month. The ECB will also further reduce several key lending rates and charge a -0.4% penalty on deposits. In contrast, the Bank of Canada (BoC) announced that it would keep its overnight interest rate unchanged at 0.5%, noting the recent rebound in oil prices and the Canadian dollar as welcome developments. The Bank also pointed out that inflation and employment have evolved in line with prior forecasts and that future projections will incorporate the anticipated boost to federal fiscal spending.

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Please see the *Alberta Economy - Indicators at a Glance* for a snapshot of Alberta indicators.